

**FINAL WHITE PAPER ON TASK 3, STEP 1: ANALYSIS OF SELECTED
CONCEPTUAL FUND DESIGN**

**Produced under contract by: ICF Consulting Services, LLC
September 14, 2007**

**for the
California Integrated Waste Management Board
Financial Assurance and Corrective Action Contracted Study**

Step 1 of Task 3 requires ICF to analyze the advantages and disadvantages of different conceptual fund designs. Step 1 provides context and background relating to fund design options, prior to the Step 2 review of actual experiences with relevant pooled funds and the Step 3 working model of a selected fund design. This White paper discusses only Step 1. To conduct the Step 1 analysis involves the following:

- describing the most important fund design options and features
- identifying conceptual fund designs that combine different features from the options identified above
- selecting and defining evaluation criteria to use in the analysis
- applying the criteria to the selected conceptual fund designs, and
- presenting the results of the analysis

ICF recommends describing the fund design features and options shown on Exhibit 1 (e.g., ICF will define “mandatory participation”).

EXHIBIT 1	
Key Fund Design Features and Options	
<u>Feature</u>	<u>Major Options</u>

EXHIBIT 1	
Key Fund Design Features and Options	
<u>Feature</u>	<u>Major Options</u>
Covered Costs	- All or Only Defaults - Post30-PCM, CA, or Both
Covered Landfills	- Active, Closed, or Both - Private, Public, or Both
Participation	- Mandatory or Voluntary
Revenue Sources	- Tip Fee Surcharges, Cost Recovery, Other Owner/Operator Payments, Fund Earnings, and/or Government Revenues

to represent a minimum set of fund design criteria for the landfills in the study. If we include too many features and options, the number of potential fund designs increases almost geometrically. However, we do not want to omit any features and options critical to the analysis. ICF's report will state our rationales for design options not chosen for discussion. The report also will address product fees (e.g., advance disposal fees) as a potential funding source.

After describing the most important fund design options, ICF will address specific fund designs listed in Exhibit 2, which draw from the fund design features and options in Exhibit 1 above. ICF developed the Exhibit 2 fund designs to include a spectrum of variations on the design that is the focus of the Task 3 working model (Model No. 1 in Exhibit 2). The Exhibit 2 fund designs are based on the expected drivers of demand on the fund (e.g., types of costs and landfills to be covered). ICF determined that considering the options for revenue sources affecting the supply of dollars in the funds would result in too many potential variations in fund designs for efficient comprehension and selection.

Exhibit 2 below lists the selected fund design for the working model (i.e., Model No. 1 that covers only defaulted PCM, including Post30-PCM, and CA) and variations that focus on alternative fund designs that would cover

Exhibit 2
Conceptual Fund Designs Selected for Evaluation

Model No.	Covered Costs	Covered Landfills	Public, Private, or Both	Mandatory or Voluntary?
1	Only Defaulted Costs of PCM and CA	Active and Closed	Both Public and Private	M
2	Only Defaulted Costs of PCM	Closed	Both Public and Private	M
3	Only Defaulted Costs of Post30-PCM	Closed	Both Public and Private	M
4	Only Defaulted Costs of CA	Active and Closed	Both Public and Private	M
5	Only Defaulted Costs of Post30-PCM and CA	Active and Closed	Both Public and Private	M
6	Only Defaulted Costs of PCM and CA	Active and Closed	Private Only	M
7	Only Defaulted Costs of PCM and CA	Active and Closed	Public Only	M

PCM only or Post 30-PCM only (Model Nos. 2-3), that would cover only CA (Model No. 4), that would cover Post30-PCM and CA (Model No. 5), and that would cover only privately-owned or publicly-owned LFs (Model Nos. 6-7). All fund designs provide CA and/or PCM coverage to closed landfills whenever closure occurs. All of the fund designs shown in Exhibit 2 are for defaults only and would require mandatory participation.

ICF proposes to evaluate conceptual fund designs listed above based on the criteria shown on Exhibit 3. These criteria include coverage and equity, which will be operationalized to assess the working model that is the focus of Task 3; as applied to the conceptual models

EXHIBIT 3
Criteria for Evaluating Conceptual Fund Design

Coverage of Potential Risks to the State
Equity
Efficiency/Administrative Burden
Incentives (e.g., for early closure, proper closure, proper and timely PCM)

described above, the evaluation will necessarily be qualitative. Coverage is a key criterion because the need for coverage is a key rationale for creating a fund. Equity is another key criterion because a fund may not be politically acceptable if costs and benefits are not distributed fairly across different types of landfills and their responsible parties. In addition, ICF recommends the additional criterion of efficiency, which addresses the relative costs of running different types of funds, as well a criterion that considers the potential incentive effects of alternate fund designs. Costs and incentive effects are relevant criteria because they affect the cost-benefit and cost-effectiveness of alternative fund designs.

ICF will apply the criteria in Exhibit 3 to selected conceptual fund designs from Exhibit 2 and present the results in summary exhibits.

